

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

LEHMAN BROTHERS HOLDINGS INC., *et al.*

Debtors.

Chapter 11 Case No.

08-13555 (SCC)

Jointly Administered

DECLARATION OF KARL N. SNOW, PH.D.

I, KARL N. SNOW, PH.D., declare under penalty of perjury as follows:

I. Summary of Qualifications and Expertise

- (1) I am a partner at the economic consulting firm of Bates White, LLC, where I am the leader of the Finance Practice. I am currently also an Adjunct Professor of Finance at the University of Maryland, Robert H. Smith School of Business, where I teach graduate-level courses in finance. My educational record as well as my professional experience in both academia and the private sector are laid out in my Curriculum Vitae, attached as Appendix A to my affirmative expert report dated June 1, 2017 submitted in this matter, as well as the trial testimony I provided to this Court during my direct examination on January 9, 2018.¹
- (2) I have more than 25 years of experience as a professional economist working in the areas of finance, economics, and statistics. In particular, I have significant experience in matters related to mortgages and residential mortgage-backed securities. Among other things, I have been called upon to calculate the repurchase price for securitized mortgage loans in connection with putback claims asserted by residential mortgage-backed securitization trusts on numerous occasions.
- (3) I was qualified by this Court, without objection, as an expert on the calculation of purchase prices for liquidated and non-liquidated loans.²

II. Scope of Charge

- (4) I understand that this matter arises in connection with the bankruptcy proceeding involving Lehman Brothers Holdings Inc. (“LBHI”) and certain of its affiliates (collectively with LBHI, the “Debtors”).³ I further understand that Wilmington Trust, National Association, solely in its capacity as Trustee of the SASCO 2006-S4 trust (the “Trustee”) has filed an Objection to Lehman Brothers Holdings Inc.’s Motion to Estimate RMBS Claims of SASCO 2006-S4 for Reserve Purposes Pursuant to 11 U.S.C. § 502(c)⁴ and a Cross-Motion to Estimate RMBS Claims for SASCO 2006-S4 for Reserve Purposes and for Relief from the Protocol Order (the “Cross-Motion”).
- (5) In connection with the Cross-Motion, I have been asked by counsel for the Trustee to calculate the Purchase Price for the loans in the SASCO 2006-S4 trust (“SASCO 2006-S4 Loans”) that were outstanding at the end of the Protocol and not subject to the Snow Report.

¹ Expert Report of Karl N. Snow, Ph.D., June 1, 2017 [hereafter “Snow Report”], Appendix A, Curriculum Vitae (TRX 683); Testimony of Karl N. Snow before Hon. Shelley C. Chapman, Judge, *In re Lehman Brothers Holdings Inc.*, et al. [hereafter “Snow Trial Testimony”], January 9, 2018 at 3387:23-3398:8.

² See Snow Trial Testimony at 3398:9-3398:19.

³ *In re Lehman Brothers Holdings Inc.*, Bankruptcy Court Docket No. 08-12555 (SCC) (U.S. Bankruptcy Court, S.D.N.Y.).

⁴ See Notice of Lehman Brothers Holdings Inc.’s Motion to Estimate RMBS Claims of SASCO 2006-S4 for Reserve Purposes Pursuant to 11 U.S.C. § 502(c) (Docket No. 08-12555, Doc. No. 57682, February 19, 2018).

III. Purchase Price Calculations

- (6) In addition to the Snow Report submitted on June 1, 2017, in the above-captioned matter, on July 27, 2017, I submitted a rebuttal report (the “Snow Rebuttal Report”), and on November 16, 2017, I submitted a supplemental report (the “Snow Supplemental Report”). Collectively, I will refer to my reports as the “Snow Reports.”⁵ The Snow Reports were marked as TRX 682 (Snow Report), TRX 691 (Snow Rebuttal Report) and TRX 2725 (Snow Supplemental Report).
- (7) At the Estimation Hearing, I testified as an expert for the RMBS Trustees on the calculation of purchase prices for liquidated and non-liquidated loans.
- (8) In the Snow Report, I calculated the Purchase Prices for the Liquidated Loans and Non-Liquidated Loans (Exhibit 2 in Appendix E to that report), along with the Net Purchase Prices for the Non-Liquidated Loans (Exhibit 3 in Appendix E to that report) as of the end of April 2017.⁶ Liquidated Loans refers to those loans as to which the mortgaged property has been sold at or after foreclosure or deed in lieu of foreclosure and a realized loss has been reported by the servicer. Non-Liquidated Loans refers to loans as to which no such liquidation event has occurred.
- (9) In the Snow Report, I applied the following general definition to calculate the Purchase Price:
-) unpaid principal balance of the Mortgage Loan; plus
 -) unpaid and accrued interest at the applicable Mortgage Loan note rate; plus
 -) unreimbursed servicer advances, including principal, interest, and servicing advances.⁷
- (10) These calculations included a total of 2,831 loans in the SASCO 2006-S4 trust, 2,729 of which were Liquidated Loans and 102 of which were Non-Liquidated Loans. As displayed in Exhibit 2 to the Snow Report, the total Purchase Price for all 2,831 loans in the SASCO 2006-S4 trust is \$185,333,934.73.⁸
- (11) It is my understanding that subsequent to the Snow Report, the Trustee opted-out of the Settlement Agreement and did not participate in the Estimation Hearing.⁹

⁵ Capitalized terms not defined herein have the meanings ascribed to them in the Snow Reports. The Snow Reports, appendices and exhibits to such reports are hereby incorporated by reference.


⁶ In the Snow Report, for each Non-Liquidated Loan, I was asked to subtract from the Purchase Price an estimate of the current value of the loan calculated by Dr. Ellson and provided to me by counsel for the Trustees to reach a net claim amount for that loan.

⁷ Unreimbursed servicer advances relate to expenses, such as corporate and escrow advances, advanced by the servicer. *See* Snow Report ¶ 21.

⁸ Also, as showed in Exhibit 2 to the Snow Report, for the 2,729 Liquidated Loans, the total Purchase Price is \$180,140,362.76, while for the 102 Non-Liquidated Loans the total Purchase Price is \$5,193,571.97 as of the end of April 2017. As showed in Exhibit 3 to the Snow Report, the total Net Purchase Price for the 102 Non-Liquidated Loans is \$2,090,059.31 as of the end of April 2017.

⁹ *See* Letter from Wilmington Trust, N.A. to Institutional Investors and The LBHI Investors Re: Structured Asset Securities Corporation Mortgage Pass-Through Certificated, Series 2006-S4 (“SASCO 2006-S4” or the “Trust”), June 22, 2017, available at

- (12) Counsel for the Trustee provided me a list of 121 SASCO 2006-S4 Loans that had outstanding claims at the conclusion of the Protocol process, but were not included in the Snow Report. That list is attached as Exhibit 1 in Appendix A to this declaration. Counsel asked me to calculate the Purchase Price for each of these 121 SASCO 2006-S4 Loans as of the end of April 2017.
- (13) The majority of the 121 SASCO 2006-S4 Loans on Exhibit 1 are Liquidated Loans. There is also a smaller number of Non-Liquidated Loans, meaning loans that have not been liquidated as described above. There are 73 Liquidated Loans and 48 Non-Liquidated Loans.
- (14) Here, as requested by counsel, I calculated the Purchase Price for all of the 121 SASCO 2006-S4 Loans as of the end of April 2017, using the same Performance Data described in the Snow Report and following the same methodology for calculating Purchase Price followed in the Snow Report. The schedule of Purchase Prices for the 121 SASCO 2006-S4 Loans is attached as Exhibit 2 in Appendix A to this declaration. I did not reduce the Purchase Price of such loans by the estimated current value of those loans, but reserve the right to do so.
- (15) As reflected in Exhibit 2 in Appendix A to this declaration, the Purchase Price of the 121 SASCO 2006-S4 Loans is **\$6,905,578.64**.¹⁰ As reflected above, the Purchase Price of the 2,831 SASCO 2006-S4 Loans included the Snow Report is \$185,333,934.73. Therefore, the total Purchase Price of the 2,952 SASCO 2006-S4 Loans is **\$192,239,513.37** as of the end of April 2017.
- (16) Subsequent to April 2017, Performance Data shows that seven SASCO 2006-S4 Loans were paid in full¹¹ and therefore are no longer outstanding. Additionally, I understand that claims on one loan are not being pursued, leaving a total of **2,944** loans outstanding in the SASCO 2006-S4 trust as of the end of January 2018. Once I remove the Purchase Prices of these eight loans, the total Purchase Price of the remaining 2,944 SASCO 2006-S4 Loans is **\$191,793,928.61** as of the end of April 2017.
- (17) I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

By: 

Karl N. Snow, Ph.D.

Date: February 28, 2018

Washington, D.C.

<http://www.lbhirmbssettlement.com/pdflib/Letter%20termination%20SASCO%202006-S4.PDF>.

¹⁰ As displayed in Exhibit 2 in Appendix A to this declaration, for the 73 Liquidated Loans, the total Purchase Price is \$4,351,919.61, while for the 48 Non-Liquidated Loans the total Purchase Price is \$2,553,659.03 as of the end of April 2017.

¹¹ The SASCO 2006-S4 Loans that paid in full are: 33184177, 33240565, 38765731, 33099508, 33170143, 33303595, and 33262874.

Appendix A

Exhibit 1: List of 121 SASCO 2006-S4 Loans

- *See* 2018.02.28 Declaration of Karl N. Snow – Exhibit 1.xlsx.

Exhibit 2: Schedule of Purchase Prices of 121 SASCO 2006-S4 Loans

- *See* 2018.02.28 Declaration of Karl N. Snow – Exhibit 2.xlsx.